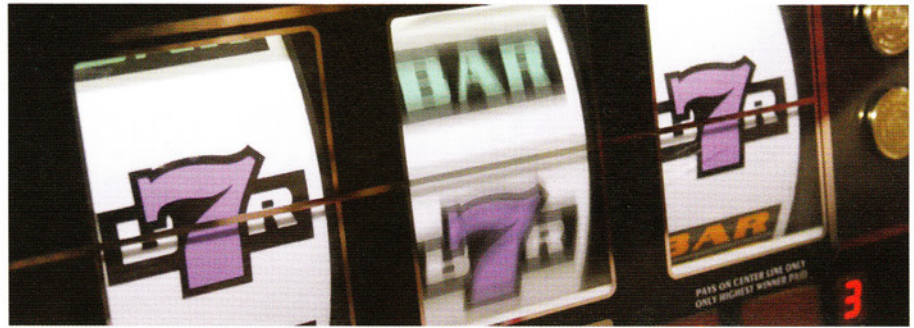


Why Woolies must get out of pokies

Serious reforms are likely to mean that Australia's biggest retailer and poker machine operator will be out of the pokies business by 2010, predicts shareholder activist Stephen Mayne.

By STEPHEN MAYNE



Gambling companies, watch out. Big oil companies have been copping it from the Rudd government, the supermarket duopoly have gone through a tough ACCC inquiry, Treasurer Wayne Swan has been belting the banks and the 'alcopops' industry was hit with a huge tax slug.

Australians lose more per capita gambling than any other people and with independent 'no-pokies' senator Nick Xenophon about to share in the balance of power, gambling companies are living on borrowed time.

Woolworths (ASX: WOW) is Australia's biggest retailer and pokies company with 11,000 machines in its venues. However, CEO Michael Luscombe clearly doesn't know what goes on at his venues, if you can believe this answer to a question I asked about responsible gaming practices at last November's AGM:

"We don't have ATMs in our gaming areas. We don't cash cheques in those hotels. We do have facilities for self barring in all of our hotels. On all of our gaming machines there are signs talking about the fact that you cannot win on those machines, right in front of the face of that area. We don't allow people to eat in those areas. There are clocks in all of the gaming areas so people understand how long they've been there. We take this very seriously."

There's a new watchdog website called www.pokiewatch.org which visited 85 Woolworths venues in Victoria and didn't find one that complied with these standards.

Food and drink is served to pokies' players at the machines in numerous venues, lots of machines don't have the signs, the self-barring facilities are sporadic and the ATMs are often visible or sign-posted from the gaming floor.

If Woolies can't do the right thing itself, regulators will step in, although the key ingredient needed is bucket loads of cash from the Rudd government because

the cash-strapped states are completely addicted to the revenue.

After Telstra, Woolworths has more contact with Australians than any other company. While overall product quality is vital, they are serving up poker machines that are extremely dangerous because thousands of people get hooked and problem gamblers deliver about half of all pokies revenue. The misery is enormous, Rudd is no fan of the pokies and Woolies just can't afford to stay in the business.

Woolworths is now without doubt Australia's most sinful company. While cigarettes and grog are standard fare at retailers around the world, dangerous poker machines set it apart from international peers.

Back in February 2006, outgoing Woolworths CEO Roger Corbett gave an address to his local Anglican church entitled *Values in Retailing*.

The *Daily Telegraph* reported that Corbett regarded the Woolworths push into grog and gambling as being at odds with his Christian faith and "he was caused an enormous amount of personal challenge when rival Coles Myer began buying hotels in 2003."

Corbett, said the proposed competitive response from Woolworths was "inconsistent with my personal beliefs".

A couple of directors told me after the last AGM that they had no choice, because you can't sell liquor in Queensland unless you own hotels. Does that explain teaming up with Alan Bond's former business partner Bruce Mathieson and spending more than \$2 billion buying non-Queensland pokies venues?

None of this can last and we will see some serious reforms once the Senate changes on 30 June. With the likes of Xenophon, Steve Fielding and Barnaby Joyce united in their opposition, I reckon Woolies will be out of the pokies business by 2010. **ei**

Stephen Mayne is a shareholder activist and founder of the Mayne report, a daily videoblog and subscription newsletter.